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IN THE
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1943

No. 924

DENTAL PRODUCTS COMPANY, INC.,
Petitioner,

vs.

ARTHUR E. SMITH,
Respondent.

PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

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CORRECTIONS IN THE PETITION.

Radio Corp. of Am. v. Rayon is also reported at 139 F. (2d) 833.

At page 13, the citation to the opinion of the District Court below should read: 54 U. S. P. Q. 133.

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The First and Fourth Questions.

Respondent's position with respect to the first and fourth questions appears to be that he can make a *negative and merely prohibitive use of a trade-mark as a monopoly* (Cf. *United Drug v. Rectanus*, 248 U. S. 98). This is apparent at page 8 of respondent's brief where he says that subsequent to 1918 he "continued the business by contractual relationship with petitioner". This was not the issue in *Lawrence Williams v. Societe Gombault*, 27 F. 2d 512, or in *Morand v. Chippewa Springs*, 2 F. 2d 237, where the plaintiff in each case manufactured the trade-marked articles, and hence was at all times the proprietor of an existing business in which the trade-mark was used. The defendant in each case was merely a distributor of those

articles under an exclusive sales agency contract. See our Petition for Rehearing (R. 827) for a discussion of the cases cited by the Court of Appeals.

Those cases did not hold that a contract is an effective substitute for an existing business. But that is what the Seventh Circuit Court of Appeals has held in the instant case. The Court below has not protected the **business** in connection with which the trade-marks in issue have been used but it has protected the alleged rights of one who has made a **negative and monopolistic use** of a trade-mark by means of contract. Therefore the decision of the Circuit Court of the Seventh Circuit Court of Appeals conflicts with *Hanover v. Metcalf*, 240 U. S. 403, and *United Drug v. Rectanus*, 248 U. S. 90.

The Third Question.

With respect to the conflict with the President Suspenders cases, at page 12, respondent differentiates over those cases by saying that they related to "an outright assignment of the business and the trade-mark". This is incorrect. There was no outright assignment of the trademark. The licensor's contention was based on the proposition that by not assigning the trade-mark he retained a reversionary interest therein. The Court held that the so-called license agreement amounted by operation of law to a transfer of the trade-mark. (238 Fed. 164)

Respondent then states at page 12 of his brief that with respect to the instant case:

"No patents are involved."

The test as to whether or not patents are involved is to consider the situation of the parties in 1930, and then to ask: For what reason was the 1930 contract executed?

petitioner? By 1930 petitioners had been selling the unitubes for three years. They were successful products. Respondent had never sold any. So why should petitioner pay a 10% royalty on further sales on this product? The answer is that respondent claimed that the unitubes contributorily infringed his **syringe patents**. This is the same claim that respondent made nine years later when this suit was filed against petitioner, and it is the same claim that was denied by the Circuit Court of Appeals.

The 1930 contract grants "the sole and exclusive privilege, right and authority to prepare, manufacture and sell the following articles covered by patents" etc., and among the articles listed are "Conducto unitubes." (R. 612) Therefore respondent does not confine himself to the facts when he states that "no patents are involved".

This is not a case in which the respondent has received inadequate reward for his 1918 grant of the exclusive right to make and sell the patented tablet. His royalties under the first contract were based not only on the sales of the patented Conducto Tablets, but also on those devices and instruments enumerated in the 1918 contract which were used in dissolving the tablet and in administering the resulting anesthetic solution. If the consideration for the grant was based on royalty payments, instead of a lump sum, there can be no cause for complaint because the sales fell off as the art progressed. The "Conducto Tablets" curve on the graph at page 29 of our petition shows a fairly constant rate of dropping off which is entirely uninfluenced by petitioner's sale of other goods.

Similarly, a comparison of that curve and the "Other Goods, Not Conducto" curve dispenses with respondent's contentions at page 13 that petitioner's business success is primarily due the sale of "Conducto goods", that peti-

tioner desires to "bask" in the prosperity resulting from their sale, and that petitioner's business now is based on goods "created" by respondent.

The Facts as Stated by Respondent.

Inasmuch as the present issue is the allowance of petitioner's petition for a writ of certiorari, we do not feel that this Court is interested in a detailed catalog of the numerous statements of fact made by respondent which have no support in the evidence whatsoever, and which in some instances are flatly contradicted by the evidence.

It is sufficient to point out that there is nothing in petitioner's "Summary Statement of Matter Involved" which contradicts the findings of the Circuit Court of Appeals, or which has been specifically contradicted by respondent's brief.

The Court of Appeals made certain additional allegations which have absolutely no foundation in the evidence, and these were called to the attention of the Court below in a "Petition for the Correction of Four Statements in the Opinion" (Record 861-877), which petition was denied. The petition for a writ of certiorari has been carefully drawn to avoid reliance on any of these disputed facts, in order to simplify the presentation of the four questions presented herein. The additional facts recited by respondent are based in large measure upon the aforementioned statements by the Court of Appeals.

Respondent refers at page 7 to *Williams v. United Shoe*, 316 U. S. 364-367, but it will be noted that this case refers to the proposition that the Supreme Court will not disturb *concurrent* findings of the Courts below, where there is evidence to support them. It will be observed that in the instant case there was no concurrence between the Courts

below. The District Court held with petitioner on the trade-mark issues.

There is only one fundamental fact which should not be obscured by unsupported remarks in respondent's brief. That fact is: Whatever business respondent had prior to 1918, was discontinued by respondent in 1918, and with it, the use of the trade-marks in issue.

We comment briefly on certain statements in respondent's brief which might tend to obscure that fact:

At the bottom of page 5 of respondent's brief it is stated:

"Whenever purchasers ordered Conducto items Denpro items were *palmed off*."

We would like to point out that purchasers ordering Conducto items ordered products manufactured and sold by Denpro Products Company, and that is what they got. Whether the trade-mark Conducto or Denpro appeared on the items delivered is not a matter which involves deception. Therefore the term "*palmed off*" is an improper term for this always relates to the deception induced by passing off goods of one manufacturer or vendor for the goods of another manufacturer or vendor. "The essence of the wrong in unfair competition consists in the sale of the goods of one manufacturer or vendor for those of another; and if defendant so conducts its business as not to palm off its goods as those of complainant, the action fails." *Howe Scale Co. v. Wyckoff*, 198 U. S. 118, 140; 49 L. Ed. 972, 986.

At page 6 of respondent's brief he states:

"Many witnesses testified to purchases of Conducto, Conducto Unitube and Denpro dental products from Dr. Smith from 1935 up to the date of the trial herein."

Only three witnesses testified to the purchase of such items from respondent prior to the *filing* of the Bill of Complaint herein. With the exception of the sale of two Denpro syringes (and accompanying Den Pro unitubes) to Drs. Gatterdam and Bennett immediately after the cancellation of the contract and the single sale of one dozen Conducto unitubes to Dr. Gatterdam a year and a half later, all sales made by respondent, even up to the date of the trial, were of surgical dressing, a *product not covered by any of the four trade-mark registrations* in issue.

At page 12 of respondent's brief, there is no support whatsoever in the evidence for the statements that "the public and the profession were deceived" in purchasing petitioner's products, and that "they thought they were buying products supervised by Dr. Smith". (See R. 839 to 841)

Respondent states, in answer to the second question, that his abandoned use of "Den Pro" is prior to petitioner's use of "Den Pro", either as a trade-mark, or as an abbreviation. However, this use is not "*years* prior to the incorporation of Dental Products Company" as argued at page 9.

The first use of the word "Den Pro" by respondent, apart from his own assertion, was in 1915 (R. 213, 351, 367) which was just one year prior to the incorporation of Dental Products Company, and to the use of the abbreviation "Den. Pro. Co." (R. 549, 560, 572)

There is no documentary evidence whatsoever in the record which shows any use by respondent of "Den Pro" in this 1915 to 1918 period.

Respondent further states that "The use on which this registration (No. 328,935) is based dates back to 1914". This is obviously incorrect, as reference to Plaintiff's Ex

hibit 4 (R. 386, 749) will indicate. This registration, as originally filed, contained the usual statement **under oath** that "The trade-mark has been continuously used and applied to said goods in applicant's business since March 25, 1935". No mention is made of its 1915 use. Obviously respondent could not truthfully have stated that the mark had been *continuously* used in his business since 1915.

Respondent then states that "The dental profession and the dental dealers, including petitioner's dealers, have always associated Den Pro with Dr. Smith." This statement has been made without the slightest regard to the truth, and the numerous citations to the record do not support the statement.

CONCLUSION.

In conclusion, we respectfully submit that respondent, in his brief, has shown no suitable reasons why the four questions presented in our petition will not be squarely presented for decision by the facts of this case in the event that certiorari is granted.

Respectfully submitted,

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